UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(MARK ONE)
(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2001

(_) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM ______________ TO __________

1-4462
Commission File Number

STEPAN COMPANY
(Exact name of registrant as specified in its charter)

Delaware	36 1823834
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

Edens and Winnetka Road, Northfield, Illinois 60093
(Address of principal executive offices)

Registrant's telephone number (847) 446-7500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 30, 2001
Common Stock, $1 par value	9,252,219

Part I FINANCIAL INFORMATION

Item 1 - Financial Statements

STEPAN COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
March 31, 2001 and December 31, 2000
Unaudited

(Dollars in thousands)	3/31/01	12/31/00
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,902	$ 3,536
Receivables, net	108,557	98,488
Inventories (Note 2)	52,679	60,132
Deferred income taxes	10,866	10,866
Other current assets	5,099	4,191
Total current assets	181,103	177,213
PROPERTY, PLANT AND EQUIPMENT:		
Cost	622,085	619,296
Less: Accumulated depreciation	427,947	420,149
	194,138	199,147
OTHER ASSETS	38,097	38,689
Total assets	$ 413,338	$ 415,049
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 10,862	$ 9,586
Accounts payable	49,905	57,255
Accrued liabilities	34,607	39,121
Total current liabilities	95,374	105,962
DEFERRED INCOME TAXES	38,117	39,170
LONG-TERM DEBT, less current maturities	103,731	96,466
OTHER NON-CURRENT LIABILITIES	21,508	19,275
STOCKHOLDERS' EQUITY:		
5-1/2% convertible preferred stock, cumulative, voting without par value; authorized 2,000,000 shares; issued 583,252 shares in 2001 and 583,469 shares in 2000	14,581	14,587
Common stock, $1 par value; authorized 30,000,000 shares; issued 9,464,053 shares in 2001 and 9,411,106 shares in 2000	9,464	9,411
Additional paid-in capital	14,049	13,343
Accumulated other comprehensive loss	(13,913)	(12,402)
Retained earnings (approximately $47,023 unrestricted in 2001 and $46,125 in 2000)	135,116	133,308
Less: Treasury stock, at cost	4,689	4,071
Stockholders' equity	154,608	154,176
Total liabilities and stockholders' equity	$ 413,338	$ 415,049

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these condensed consolidated balance sheets.

STEPAN COMPANY
CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended March 31, 2001 and 2000
Unaudited

(In thousands, except per share amounts)	Three Months Ended March 31 2001	Three Months Ended March 31 2000
NET SALES	$ 176,857	$ 174,988
Cost of Sales	150,956	147,905
Gross Profit	25,901	27,083
Operating Expenses:		
Marketing	6,241	6,176
Administrative	6,200	6,149
Research, Development and Technical Services	5,631	5,758
	18,072	18,083
Operating Income	7,829	9,000
Other Income (Expense):		
Interest, Net	(1,956)	(2,051)
Income from Equity Joint Venture	127	54
	(1,829)	(1,997)
Income Before Income Taxes	6,000	7,003
Provision for Income Taxes	2,372	2,732
NET INCOME	$ 3,628	$ 4,271
Net Income Per Common Share (Note 4):		
Basic	$ 0.37	$ 0.43
Diluted	$ 0.36	$ 0.41
Shares Used to Compute Net Income Per Common Share (Note 4):		
Basic	9,241	9,501
Diluted	10,154	10,416
Dividends per Common Share	$ 0.1750	$ 0.1625

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

STEPAN COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2001 and 2000
Unaudited

(Dollars in thousands)	3/31/01	3/31/00
NET CASH FLOW FROM OPERATING ACTIVITIES		
Net income	$ 3,628	$ 4,271
Depreciation and amortization	10,099	10,307
Deferred revenue recognition	(126)	(755)
Deferred income taxes	(1,042)	(239)
Environmental and legal liabilities	156	25
Other non-cash items	2,068	45
Changes in Working Capital:		
Receivables, net	(10,069)	(778)
Inventories	7,453	316
Accounts payable and accrued liabilities	(11,864)	(9,801)
Other	(908)	(590)
Net Cash Provided by (Used for) Operating Activities	(605)	2,801
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(5,184)	(5,436)
Other non-current assets	54	23
Net Cash Used for Investing Activities	(5,130)	(5,413)
CASH FLOWS FROM FINANCING AND OTHER RELATED ACTIVITIES		
Revolving debt and notes payable to banks, net	7,300	5,200
Other debt borrowings	1,241	--
Other debt repayments	--	(153)
Purchases of treasury stock, net	(618)	(239)
Dividends paid	(1,820)	(1,754)
Stock option exercises	762	157
Other non-cash items	(764)	(548)
Net Cash Provided by Financing and Other Related Activities	6,101	2,663
NET INCREASE IN CASH AND CASH EQUIVALENTS	366	51
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,536	3,969
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 3,902	$ 4,020
CASH PAID DURING THE PERIOD FOR:		
Interest	$ 726	$ 739
Income taxes	$ (52)	$ (163)

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

STEPAN COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2001 and December 31, 2000
Unaudited

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements included herein have been prepared by the company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate and make the information presented not misleading. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and the notes thereto included in the company's latest Annual Report to Stockholders and the Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 2000. In the opinion of management all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the consolidated financial position of Stepan Company as of March 31, 2001, and the consolidated results of operations and cash flows for the three months then ended, have been included.

2. INVENTORIES

Inventories include the following amounts:

(Dollars in thousands)	3/31/01	12/31/00
Inventories valued primarily on LIFO basis -		
Finished products	$ 34,092	$ 40,515
Raw materials	18,587	19,617
Total inventories	$ 52,679	$ 60,132

If the first-in, first-out (FIFO) inventory valuation method had been used for all inventories, inventory balances would have been approximately $8,900,000 higher than reported at March 31, 2001, and December 31, 2000.

3. CONTINGENCIES

There are a variety of legal proceedings pending or threatened against the company. Some of these proceedings may result in fines, penalties, judgments or costs being assessed against the company at some future time. The company's operations are subject to extensive local, state and federal regulations, including the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("Superfund") and the Superfund amendments of 1986. The company, and others, have been named as potentially responsible parties at affected geographic sites. As discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in this filing, the company believes that it has made adequate provisions for the costs it may incur with respect to these sites.

The company has estimated a range of possible environmental and legal losses from $7.3 million to $34.5 million at March 31, 2001. The company's reserve at March 31, 2001, and December 31, 2000, were $16.8 million and $16.6 million, respectively.

For certain sites, estimates cannot be made of the total costs of compliance, or the company's share of such costs; accordingly, the company is unable to predict the effect thereof on future results of operations. In the event of one or more adverse determinations in any annual or interim period, the impact on results of operations for those periods could be material. However, based upon the company's present belief as to its relative involvement at these sites, other viable entities' responsibilities for cleanup and the extended period over which any costs would be incurred, the company believes that these matters will not have a material effect on the company's financial position. Certain of these matters are discussed in Item 3, Legal Proceedings, in the 2000 Form 10-K Annual Report, Item 1, Legal Proceedings, in this Form 10-Q, and in other filings of the company with the Securities and Exchange Commission, which are available upon request from the company.

Following are summaries of the environmental proceedings related to the company's Maywood, New Jersey, and Ewan and D'Imperio environmental sites:

Maywood, New Jersey, Site:

As reported previously, the company's site in Maywood, New Jersey and property formerly owned by the company adjacent to its current site, were listed on the National Priorities List in September 1993 pursuant to the provisions of the Comprehensive Environmental Response Compensation and Liabilities Act (CERCLA) because of certain alleged chemical contamination. Pursuant to an Administrative Order on Consent entered into between the United States Environmental Protection Agency (USEPA) and the company for property formerly owned by the company, and the issuance of an order by USEPA to the company for property currently owned by the company, the company completed a Remedial Investigation Feasibility Study (RI/FS) in 1994. In addition, the company submitted a Feasibility Study Addendum to USEPA in October 2000. The company has been awaiting the issuance of a Record of Decision (ROD) from USEPA which would relate to both the currently owned and formerly owned company property and would recommend the type of remediation required on each property. The company anticipates that USEPA will issue the proposed ROD sometime during fiscal year 2001 or 2002 with a public comment period to follow. The final ROD will be issued sometime after the public comment period.

In 1985, the company entered into a Cooperative Agreement with the United States of America represented by the Department of Energy (Agreement). Pursuant to this Agreement, the Department of Energy (DOE) took title to radiological contaminated materials and was to remediate, at its expense, all radiological waste on the company's property in Maywood, New Jersey. The Maywood property (and portions of the surrounding area) was being remediated by the DOE under the Formerly Utilized Sites Remedial Action Program, a federal program under which the U.S. Government undertook to remediate properties which were used to process radiological material for the U.S. Government. In 1997, responsibility for this clean-up was transferred to the United States Army Corps of Engineers (USACE). On January 29, 1999, the company received a copy of a USACE Report to Congress dated January 1998 in which the USACE expressed their intention to evaluate, with the USEPA, whether the company and/or other parties might be responsible for cost recovery or contribution claims related to the Maywood site. Subsequent to the issuance of that report, the USACE advised the company that it had requested legal advice from the Department of Justice as to the impact of the Agreement.

By letter dated July 28, 2000, the Department of Justice advised the company that the USACE and USEPA had referred to the Justice Department claims against the company for response costs incurred or to be incurred by the USACE, USEPA and the DOE in connection with the Maywood site and the Justice Department stated that the United States is entitled to recovery of its response costs from the company under CERCLA. The letter referred to both radiological and non-radiological hazardous waste at the Maywood site and stated that the United States has incurred unreimbursed response costs to date of $138 million. Costs associated with radiological waste at the Maywood site, which the company believes represent all but a small portion of the amount referred to in the Justice Department letter, could be expected to aggregate substantially in excess of that amount. In the letter, the Justice Department invited the company to discuss settlement of the matter in order to avoid the need for litigation. The company believes that its liability, if any, for such costs has been resolved by the aforesaid Agreement. Despite the fact that the company continues to believe that it has no liability to the United States for such costs, discussions with the Justice Department are currently ongoing to attempt to resolve this matter.

The company believes it has adequate reserves for claims associated with the Maywood site. However, depending on the results of the ongoing discussions regarding the Maywood site, the final cost of the remediation could differ from the current estimates.

Ewan and D'Imperio Site:

As reported previously, the company has been named as a potentially responsible party (PRP) in the case USEPA v. Jerome Lightman (92 CV 4710 D. N. J.) which involves the Ewan and D'Imperio Superfund Sites located in New Jersey. Trial on the issue of the company's liability at these sites was completed in March 2000. The company is awaiting a decision from the court. If the company is found liable at either site, a second trial as to the company's allocated share of clean-up costs at these sites will likely be held in late 2001 or 2002. The company believes it has adequate defenses to the issue of liability. In the event of an unfavorable outcome related to the issue of liability, the company believes it has adequate reserves.

Regarding the D'Imperio Superfund Site, USEPA has indicated it will seek penalty claims against the company based on the company's alleged noncompliance with the modified Unilateral Administrative Order. The company is currently negotiating with USEPA to settle its proposed penalty against the company. In addition, the company also received notice from the New Jersey Department of Environmental Protection (NJDEP) dated March 21, 2001, that NJDEP has indicated it will pursue cost recovery against the alleged responsible parties, including the company. The NJDEP's claims include costs related to remediation of the D'Imperio Superfund Site in the amount of $434,405.53 and alleged natural resource damages in the amount of $529,584.00 (as of November 3, 2000). The NJDEP has proposed settling such claims, with the company being responsible for a portion of these costs. The company is currently investigating its options with respect to both of these potential actions but does not believe that such settlements, if any, will have a material impact on the financial condition of the company.

4. EARNINGS PER SHARE

Below is the computation of basic and diluted earnings per share for the three months ended March 31, 2001 and 2000.

(In thousands, except per share amounts)	Three Months Ended March 31	
	2001	2000
Computation of Basic Earnings per Share		
Net income	$ 3,628	$ 4,271
Deduct dividends on preferred stock	201	207
Income applicable to common stock	$ 3,427	$ 4,064
Weighted-average number of shares outstanding	9,241	9,501
Basic earnings per share	$ 0.37	$ 0.43
Computation of Diluted Earnings per Share		
Net income	$ 3,628	$ 4,271
Weighted-average number of shares outstanding	9,241	9,501
Add net shares issuable from assumed exercise of options (under treasury stock method)	247	223
Add weighted-average shares issuable from assumed conversion of convertible preferred stock	666	692
Shares applicable to diluted earnings	10,154	10,416
Diluted earnings per share	$ 0.36	$ 0.41

5. COMPREHENSIVE INCOME

Below is the company's comprehensive income for the three months ended March 31, 2001 and 2000.

(Dollars in thousands)	Three Months Ended March 31	
	2001	2000
Net income	$ 3,628	$ 4,271
Other comprehensive loss:		
Foreign currency translation adjustments	(1,511)	(646)
Comprehensive income	$ 2,117	$ 3,625

6. SEGMENT REPORTING

Stepan Company has three reportable segments: surfactants, polymers and specialty products. Financial results of Stepan Company's operating segments for the quarters ended March 31, 2001 and 2000, are summarized below:

(Dollars in thousands)	Surfactants	Polymers	Specialty Products	Segment Totals
For the quarter ended March 31, 2001				
Net Sales	$ 140,378	$30,833	$5,646	$176,857
Operating income	9,916	3,922	980	14,818
For the quarter ended March 31, 2000				
Net Sales	$ 139,168	$31,586	$4,234	$174,988
Operating income	11,786	4,415	(198)	16,003

Below are reconciliations of segment operating income to consolidated income before income taxes:

(Dollars in thousands)	Three Months Ended March 31 2001	2000
Operating income segment totals	$ 14,818	$ 16,003
Unallocated corporate expenses (a)	(6,989)	(7,003)
Interest expense	(1,956)	(2,051)
Income from equity in joint ventures	127	54
Consolidated income before income taxes	$ 6,000	$ 7,003

(a) Includes corporate administrative and corporate manufacturing expenses which are not included in segment operating income and not used to evaluate segment performance.

7. NEW ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities", effective for fiscal years beginning after June 15, 1999. In June 1999, the FASB issued SFAS No. 137, which deferred the effective date to fiscal years beginning after June 15, 2000. The new standard establishes accounting and reporting requirements for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Such instruments are to be recognized on the balance sheet as either an asset or a liability measured at fair value. Changes in fair value must be recognized currently in earnings or in other comprehensive income if specific hedge criteria are met. Special accounting for qualifying hedges allows a derivative instrument's gains and losses to offset related results on the hedged item in the statement of income, to the extent effective. If a transaction is designated to receive hedge accounting, the company must establish at the inception of the hedge the method it will use for assessing the effectiveness of the hedge and the measurement approach for determining the ineffective aspect of the hedge. At December 31, 2000, and March 31, 2001, the company held no derivative instruments that fell under the accounting rules of SFAS No. 133. Therefore, the adoption of SFAS No. 133 on January 1, 2001, had no effect on the company's consolidated results of operations or financial position. In January 2001, the Emerging Issues Task Force (EITF), issued EITF Issue No. 00-22 "Accounting for `Points' and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to Be Delivered in the Future." EITF Issue No. 00-22 provides guidance regarding timing of recognition and income statement classification of costs incurred in connection with offers of volume-based sales incentives that are provided to customers at a future date upon reaching certain volume purchase levels. This guidance requires certain volume rebate offers delivered subsequent to the related transactions in which they are earned, be recognized when incurred and reported as a reduction of revenue in the statement of operations. The effective date of EITF No. 00-22 is the first quarter ending after February 15, 2001. The company's accounting policies are currently consistent with the guidance provided in this EITF; therefore, this standard does not have an impact on the company's statements of income or financial position.

8. RECLASSIFICATIONS

Certain amounts in the 2000 financial statements have been reclassified to conform to the 2001 presentation.

STEPAN COMPANY
Management's Discussion and Analysis of
Financial Condition and Results of Operations

The following is management's discussion and analysis of certain significant factors which have affected the company's financial condition and results of operations during the interim period included in the accompanying condensed consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

For the three months ended March 31, 2001, net cash from operations was a use of $0.6 million compared to a source of $2.8 million for the same period in 2000. Working capital totaled to a use of $15.4 million compared to a use of $10.9 million for the same period last year. Accounts receivable increased by $10.1 million compared to $0.8 million in 2000 mainly due to higher seasonal sales increases this year. Inventories were down by $7.5 million for the current year period compared to a decrease of $0.3 million last year. Accounts payable and accrued liabilities decreased by $11.9 million compared to last year's decrease of $9.8 million.

Capital spending totaled $5.2 million for the first three months of 2001 compared to $5.4 million for the same period in 2000. Total year capital spending for 2001 is projected to be higher than the $28.4 million recorded in 2000.

Since December 31, 2000, consolidated debt has increased by $8.5 million, to $114.6 million. As of March 31, 2001, the ratio of long-term debt to long-term debt plus shareholders' equity was 40.2 percent compared to 38.5 percent last year-end.

The company maintains contractual relationships with its domestic banks that provide for revolving credit of up to $60 million, which may be drawn upon as needed for general corporate purposes. The company also meets short-term liquidity requirements through uncommitted domestic bank lines of credit. The company's foreign subsidiaries maintain committed and uncommitted bank lines of credit in their respective countries to meet working capital requirements as well as to fund capital expenditure programs and acquisitions.

The company anticipates that cash from operations and from committed credit facilities will be sufficient to fund anticipated capital expenditures, dividends and other planned financial commitments for the foreseeable future. Any substantial acquisitions would require additional funding.

There have been no material changes in the company's market risks since December 31, 2000.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2001 and 2000

Net income for the first quarter ended March 31, 2001, was $3.6 million, or $0.36 per share diluted, down 15 percent from $4.3 million, or $0.41 per share diluted, reported for the same quarter a year ago. Net sales increased one percent to $176.9 million in the first quarter of 2001 from $175.0 million reported for the first quarter of 2000. Net sales by segment were:

(Dollars in thousands)	Three Months Ended March 31		
	2001	2000	% Change
Net Sales:			
Surfactants	$140,378	$139,168	+1%
Polymers	30,833	31,586	-2%
Specialty Products	5,646	4,234	+33%
Total	$176,857	$174,988	+1%

Surfactants net sales increased one percent between years. Domestic operations, which accounted for 77 percent of total surfactant revenues, reported a $0.8 million, or one percent, increase in net sales from year to year. Sales volume increased four percent, which more than offset a three percent decline in average selling prices. Sales volume increased due to improvement in the company's personal care business. Average selling prices fell due to product mix. Net sales for foreign surfactants operations increased $0.4 million, or one percent, despite a one percent decline in sales volume. The company's Colombian and European operations accounted for the foreign net sales improvement. Higher sales volume drove Colombia's increase, while Europe benefited from higher average selling prices. Mexican operations reported a 35 percent drop in net sales due primarily to a 32 percent decline in sales volume.

Surfactants gross profit declined nine percent to $19.2 million in 2001 from $21.1 million a year ago. Domestic operations reported a $1.5 million, or nine percent, decline in gross profit due to a drop in average margins. The decrease in average margins was mainly due to higher utility costs and weaker sales mix. Gross profit for foreign operations declined $0.4 million, or eight percent, between years. The previously noted drop in sales volume coupled with a decrease in average margins led to the decline. Mexican operations contributed most to the decline offsetting gains achieved by European and South American operations.

Polymers net sales decreased two percent from $31.6 million in the first quarter of 2000 to $30.8 million in the first quarter of 2001. The decline was due to a 12 percent reduction in sales volume which more than offset an 11 percent increase in average selling prices. Phthalic anhydride (PA) accounted for most of the decline. PA's net sales decreased 21 percent from $10.5 million in 2000 to $8.3 million in 2001. Lower sales volume accounted for the decrease and more than offset a ten percent rise in average selling prices. Higher raw material costs, which were passed on to customers, led to the average selling price increase. Net sales for global polyurethane polyols rose four percent from $16.5 million in the first quarter of 2000 to $17.2

million for the same period in 2001. Increased domestic and European sales accounted for the improvement. Domestic net sales reflected higher average selling prices, partially offset by lower sales volume. European net sales reflected increased sales volume, partially offset by lower average selling prices. Total polyurethane polyols sales volume remained flat between years. Polyurethane systems reported a $0.7 million, or 16 percent, increase in net sales between quarters. A seven percent rise in sales volume coupled with an eight percent increase in average selling prices led to the gain in revenue.

Polymers gross profit fell $0.4 million, or seven percent, to $5.5 million in the first quarter of 2001 from $5.9 million a year ago. PA's gross profit dropped $0.9 million, or 71 percent, from quarter to quarter. The decline was due to decreased average margins and sales volume. Higher unit overhead costs resulting from decreased production volume led to the lower margins. Polyurethane polyols gross profit increased eight percent, or $0.3 million, from $4.2 million in 2000 to $4.5 million in 2001. Improved average domestic margins, offset somewhat by lower average European margins, led to the increase. Earnings for polyurethane systems rose $0.2 million, or 20 percent, from $1.1 million in the first quarter of 2000 to $1.3 million in the same period of 2001. The increase was due to higher sales volume and improved average margins.

Specialty products reported $5.6 million in net sales in the first quarter of 2001 compared to $4.2 million reported a year ago. The increase was due to improved sales volume and higher average selling prices. The prior year quarter volume was disrupted by post year 2000 inventory adjustments. Gross profit increased from $0.1 million in the first quarter of 2000 to $1.2 million in the first quarter of 2001. The rise was primarily due to higher sales volume of higher margin products.

Operating expenses remained almost unchanged between quarters. Interest expense declined five percent due to lower average debt levels and improving interest rates.

ENVIRONMENTAL AND LEGAL MATTERS

The company is subject to extensive federal, state and local environmental laws and regulations. Although the company's environmental policies and practices are designed to ensure compliance with these laws and regulations, future developments and increasingly stringent environmental regulation could require the company to make additional unforeseen environmental expenditures. The company will continue to invest in the equipment and facilities necessary to comply with existing and future regulations. During the first quarter of 2001, company expenditures for capital projects related to the environment were $0.3 million and should approximate $1.0 million to $1.4 million for the full year 2001. These projects are capitalized and typically depreciated over 10 years. Recurring costs associated with the operation and maintenance of facilities for waste treatment and disposal and managing environmental compliance in ongoing operations at our manufacturing locations were $1.8 million for the first three months of 2001. While difficult to project, it is not anticipated that these recurring expenses will increase significantly in the future.

The company has been named by the government as a potentially responsible party at 17 waste disposal sites where cleanup costs have been or may be incurred under the federal Comprehensive Environmental Response, Compensation and Liability Act and similar state statutes. In addition, damages are being claimed against the company in general liability actions for alleged personal injury or property damage in the case of some disposal and plant sites. The company believes that it has made adequate provisions for the costs it may incur with respect to these sites. The company has estimated a range of possible environmental and legal losses from $7.3 million to $34.5 million at March 31, 2001. The company's reserve at March 31, 2001 and December 31, 2000 were $16.8 and $16.6 million, respectively. During the first three months of 2001, expenditures related to legal and environmental matters approximated $0.4 million. For certain sites, estimates cannot be made of the total costs of compliance or the company's share of such costs; accordingly, the company is unable to predict the effect thereof on future results of operations. In the event of one or more adverse determinations in any annual or interim period, the impact on results of operations for those periods could be material. However, based upon the company's present belief as to its relative involvement at these sites, other viable entities' responsibilities for cleanup and the extended period over which any costs would be incurred, the company believes that these matters will not have a material effect on the company's financial position. Certain of these matters are discussed in Item 3, Legal Proceedings, in the 2000 Form 10-K Annual Report, and in other filings of the company with the Securities and Exchange Commission, which are available upon request from the company. See Footnote 3, Contingencies, in Notes to Condensed Consolidated Financial Statements, and Item 1, Legal Proceedings, in this Form 10-Q for a summary of the environmental proceedings related to the company's Maywood, New Jersey, and Ewan and D'Imperio environmental sites.

OTHER

Except for the historical information contained herein, the matters discussed in this document are forward looking statements that involve risks and uncertainties. The results achieved this quarter are not necessarily an indication of future prospects for the company. Actual results in future quarters may differ materially. Potential risks and uncertainties include, among others, fluctuations in the volume and timing of product orders, changes in demand for the company's products, changes in technology, continued competitive pressures in the marketplace, outcome of environmental contingencies, availability of raw materials, foreign currency fluctuations and the general economic conditions.

Part II OTHER INFORMATION

Item 1 - Legal Proceedings

As reported previously, the company's site in Maywood, New Jersey and property formerly owned by the company adjacent to its current site, were listed on the National Priorities List in September 1993 pursuant to the provisions of the Comprehensive Environmental Response Compensation and Liabilities Act (CERCLA) because of certain alleged chemical contamination. Pursuant to an Administrative Order on Consent entered into between the United States Environmental Protection Agency (USEPA) and the company for property formerly owned by the company, and the issuance of an order by USEPA to the company for property currently owned by the company, the company completed a Remedial Investigation Feasibility Study (RI/FS) in 1994. In addition, the company submitted a Feasibility Study Addendum to USEPA in October 2000. The company has been awaiting the issuance of a Record of Decision (ROD) from USEPA which would relate to both the currently owned and formerly owned company property and would recommend the type of remediation required on each property. The company anticipates that USEPA will issue the proposed ROD sometime during fiscal year 2001 or 2002 with a public comment period to follow. The final ROD will be issued sometime after the public comment period.

In 1985, the company entered into a Cooperative Agreement with the United States of America represented by the Department of Energy (Agreement). Pursuant to this Agreement, the Department of Energy (DOE) took title to radiological contaminated materials and was to remediate, at its expense, all radiological waste on the company's property in Maywood, New Jersey. The Maywood property (and portions of the surrounding area) was being remediated by the DOE under the Formerly Utilized Sites Remedial Action Program, a federal program under which the U.S. Government undertook to remediate properties which were used to process radiological material for the U.S. Government. In 1997, responsibility for this clean-up was transferred to the United States Army Corps of Engineers (USACE). On January 29, 1999, the company received a copy of a USACE Report to Congress dated January 1998 in which the USACE expressed their intention to evaluate, with the USEPA, whether the company and/or other parties might be responsible for cost recovery or contribution claims related to the Maywood site. Subsequent to the issuance of that report, the USACE advised the company that it had requested legal advice from the Department of Justice as to the impact of the Agreement.

By letter dated July 28, 2000, the Department of Justice advised the company that the USACE and USEPA had referred to the Justice Department claims against the company for response costs incurred or to be incurred by the USACE, USEPA and the DOE in connection with the Maywood site and the Justice Department stated that the United States is entitled to recovery of its response costs from the company under CERCLA. The letter referred to both radiological and non-radiological hazardous waste at the Maywood site and stated that the United States has incurred unreimbursed response costs to date of $138 million. Costs associated with radiological waste at the Maywood site, which the company believes represent all but a small portion of the amount referred to in the Justice Department letter, could be expected to aggregate substantially in excess of that amount. In the letter, the Justice Department invited the company to discuss settlement of the matter in order to avoid the need for litigation. The company believes that its liability, if any, for such costs has been resolved by the aforesaid Agreement. Despite the fact that the company continues to believe that it has no liability to the United States for such costs, discussions with the Justice Department are currently ongoing to attempt to resolve this matter.

The company believes it has adequate reserves for claims associated with the Maywood site. However, depending on the results of the ongoing discussions regarding the Maywood site, the final cost of the remediation could differ from the current estimates.

As reported previously, the company has been named as a potentially responsible party (PRP) in the case USEPA v. Jerome Lightman (92 CV 4710 D. N. J.) which involves the Ewan and D'Imperio Superfund Sites located in New Jersey. Trial on the issue of the company's liability at these sites was completed in March 2000. The company is awaiting a decision from the court. If the company is found liable at either site, a second trial as to the company's allocated share of clean-up costs at these sites will likely be held in late 2001 or 2002. The company believes it has adequate defenses to the issue of liability. In the event of an unfavorable outcome related to the issue of liability, the company believes it has adequate reserves. On a related matter, the company has filed an appeal to the United States Third Circuit Court of Appeals objecting to the lodging of a partial consent decree in favor of the United States Government in this action. Under the partial consent decree, the government recovered past costs at the site from all PRPs including the company. The company paid its assessed share but by objecting to the partial consent decree, the company is seeking to recover back the sums it paid.

Regarding the D'Imperio Superfund Site, USEPA has indicated it will seek penalty claims against the company based on the company's alleged noncompliance with the modified Unilateral Administrative Order. The company is currently negotiating with USEPA to settle its proposed penalty against the company. In addition, the company also received notice from the New Jersey Department of Environmental Protection (NJDEP) dated March 21, 2001, that NJDEP has indicated it will pursue cost recovery against the alleged responsible parties, including the company. The NJDEP's claims include costs related to remediation of the D'Imperio Superfund Site in the amount of $434,405.53 and alleged natural resource damages in the amount of $529,584.00 (as of November 3, 2000). The NJDEP has proposed settling such claims, with the company being responsible for a portion of these costs. The company is currently investigating its options with respect to both of these potential actions but does not believe that such settlements, if any, will have a material impact on the financial condition of the company.

As reported previously, the company received a Section 104(e) Request for Information from USEPA dated March 21, 2000, regarding the Lightman Drum Company Site located in Winslow Township, New Jersey. The company responded to this request on May 18, 2000. In addition, the company received a Notice of Potential Liability and Request to Perform RI/FS dated June 30, 2000, from USEPA. The company has decided that it will participate in the performance of the RI/FS. However, based on the current information known regarding this site, the company is unable to predict what its liability, if any, will be for this site.

Item 4 - Submission of Matters to a Vote of Security Holders

(A) The company's 2001 Annual Meeting of Stockholders was held on May 1, 2001.

(B) At the annual meeting of the company's shareholders on May 1, 2001, shareholders elected Robert G. Potter and F. Quinn Stepan as Directors of the company, all for three-year terms.

	For	Withheld
Robert G. Potter	8,661,042	103,140
F. Quinn Stepan	8,554,617	209,565

(C) A majority of the outstanding shares voted to ratify the appointment of Arthur Andersen LLP as independent auditors for the company for 2001.

8,721,065	For
33,943	Against
9,174	Abstentions

Item 6 - Exhibits and Reports on Form 8-K

(A) Exhibits

None

(B) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STEPAN COMPANY

/s/ Walter J. Klein

Walter J. Klein
Vice President - Finance
Principal Financial and Accounting Officer

Date: May 4, 2001